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**HCD Releases Enterprise Zone Reforms**

**Sacramento** – The California Department of Housing and Community Development (HCD) today released a package of reforms that will reign in abuses and simplify the state Enterprise Zone program.

Today's new rules will end retroactive vouchering, a practice that generally rewards employers for past hiring decisions rather than new job creation. New data shows that 30 percent of all Enterprise Zone voucher applications have been retroactive, costing the state millions of dollars and not encouraging new job growth.

The new program rules are expected to increase General Fund revenue by \$10 million in 2012-13 and \$50 million in 2013-14. The reforms are projected to save taxpayers \$310 million over the first five years of implementation.

"These common sense reforms will eliminate waste and improve accountability for the State Enterprise Zone program," said HCD Director of External Affairs Colin Parent.

As detailed in the Governor's January 2013-14 budget, the new rules will accomplish the following reforms:

- Limit retroactive vouchering by requiring all voucher applications to be made within one year of an employee's date of hire.
- Streamline the vouchering process for hiring veterans and recipients of public assistance.
- Require third party verification of employee residence within a Targeted Employment Area.
- Update Zone audit procedures and procedures for Zones that fail audits.

The new regulations will also ease the vouchering process for employers who hire veterans and recipients of public assistance. The old regulations created unnecessary paperwork burdens for participating companies.

Between 2008 and 2012, the number of Enterprise Zone vouchers has almost doubled from 69,236 to 133,326. Sixty-four percent of Enterprise Zone tax credits have been

claimed by corporations with more than \$1 billion in assets, while only four percent of credits are claimed by small businesses with less than \$10 million in assets. Without today's reforms, the Franchise Tax Board estimated that Enterprise Zones would cost California \$700 million in FY 2013-2014.

More information on Enterprise Zone reforms, including a complete package of the proposed rules, is available at: <http://www.hcd.ca.gov/ezregs/>

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